

Message Text

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ACTION EB-04

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TO SECSTATE WASHDC IMMEDIATE 6763

C O N F I D E N T I A L SECTION 01 OF 02 GENEVA 03398

LIMDIS

FOR EB/OFP FERCH FROM VAZNAUGH

E.O. 11652: GDS

TAGS: ETRD EAGR OCON

SUBJECT: WHEAT CONFERENCE: ASSESSMENT OF EC POSITION

1. FOLLOWING IS MY ASSESSMENT OF CURRENT EC STANCE IN WHEAT CONFERENCE. SAYLOR HAS COPY BUT LEFT FOR WASHINGTON BEFORE WE COULD DISCUSS IT.

2. IT SEEMS CLEAR FROM EC COMMENTS AND REINFORCED BY THEIR ACTIONS IN VARIOUS COMMITTEES THAT COMMUNITY'S BASIC AIM FOR CONFERENCE IS THAT NOTHING DECISIVE SHOULD HAPPEN BEFORE MARCH 9 AND NOTHING AFTER THAT DATE. THE ONLY DECISION THAT COMMUNITY WOULD PROBABLY LIKE TO SEE COME BEFORE CONFERENCE IS ON GENERAL PRINCIPLE OF FIXED MAXIMUM/MINIMUM PRICE CONCEPT VS. INDICATIVE CONCEPT OF STOCKS MEASURES WITHOUT PRICE GUARANTEES. IF QUESTION WERE POSED AS TO WHICH OF THESE TWO CONCEPTUAL APPROACHES TO AGREEMENT IS PREFERABLE, EC COULD COUNT ON SUPPORT FROM IMPORTER COUNTRIES. THUS FAR EC REPRESENTATIVES HAVE WORKED HARD TO MINIMIZE SUBSTANTIVE DISCUSSION INTO DETAILS OF EITHER APPROACH.

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3. MAIN LINE OF EC TACTIC HAS BEEN INSISTENCE THAT COARSE GRAINS BE GIVEN EQUAL TREATMENT WITH WHEAT AND INSISTENCE THAT DISCUSSIONS ON WHEAT FOCUS ON MAXIMUM/MINIMUM PRICE PRINCIPLE. REASONS FOR THIS INSISTENCE APPEAR TO BE TWOFOLD. FIRST, AS MENTIONED ABOVE, THEIR TACTICAL PLAN IS TO OBSTRUCT PROGRESS, AND COARSE GRAIN

AND MAXIMUM/MINIMUM PRICE ISSUES, BOTH OF WHICH ARE NOT ACCEPTABLE TO MAJOR EXPORTING COUNTRIES, PROVIDE OPPORTUNITY TO CREATE IMPASSE IN DELIBERATIONS. SECOND REASON IS MORE SUBSTANTIVE AND RELATES TO EC NEGOTIATING MANDATE WHICH COMPELS THEM TO ASSERT MINIMUM/MAXIMUM PRICE AND COARSE GRAIN ISSUES EVEN THOUGH IT IS QUESTIONABLE WHETHER COMMISSION REPRESENTATIVES HAVE CONCRETE OBJECTIVES IN MIND. THEIR PAPER ON COARSE GRAINS WAS OBVIOUSLY SLAPPED TOGETHER HASTILY AND PIZUTTI HIMSELF HAS INDICATED THAT ITS STATUS AS EC PROPOSAL IS NOT VERY IMPORTANT. WHEN QUESTIONED IN WHEAT COMMITTEE PIZUTTI, AMONG VARIOUS UNCLEAR AND SOMETIMES CONTRADICTORY COMMENTS, HAS SAID THAT THEIR MINIMUM/MAXIMUM PRICE CONCEPT IS A FLEXIBLE RATHER THAN A RIGID ONE.

4. COMMUNITY'S OBJECTIVE AT CONFERENCE IS TO PREVENT A RESULT ON WHEAT ONLY AND LEAVE THE WAY OPEN FOR CONCLUSION OF A COMMODITY AGREEMENT ON ALL GRAINS LATER IN THE YEAR. THEY PROBABLY SEE SUCH AN AGREEMENT AS OFFERING AN OPPORTUNITY TO PREJUDICE OR WEAKEN FURTHER MTN ACTIVITY ON GRAIN. A WHEAT ONLY AGREEMENT NOW WOULD LEAVE MTN ISSUES ALIVE.

5. IT SEEMS LIKELY THAT THE COMMUNITY'S FEAR AT THE MOMENT IS THAT THE U.S. WILL PRESS FOR CONCLUSION OF A WHEA AGREEMENT BY MARCH 23 THAT WOULD FORCE THEM TO A CONFIDENTIAL

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DECISION ON WHETHER OR NOT TO JOIN. COMMUNITY WOULD BE UNDER PRESSURE TO JOIN BECAUSE OF EXPERIENCE IN STAYING OUT OF SUGAR AGREEMENT AND FROM POLITICAL PRESSURES GENERATED BY LDC INTEREST IN FOOD SECURITY AND EXPANDED FOOD AID. THUS FAR EC HAS MANAGED TO AVOID BEING TESTED ON THEIR WILLINGNESS TO JOIN A WHEAT AGREEMENT WITHOUT MAXIMUM/MINIMUM PRICE GUARANTEES AND THEY MAY HOPE TO OBTAIN SOME SOFTENING IN U.S. OPPOSITION TO THIS KIND OF PROVISION.

6. IT IS DIFFICULT TO APPRAISE WHERE THE BOTTOM LINE IS IN THE EC POSITION BECAUSE SO MUCH OF THEIR POSITION SEEMS TO BE TO EXPLOIT OPPORTUNITIES THAT ARISE. HOWEVER PIZUTTI'S COMMENTS ON FLEXIBILITY WITH RESPECT TO PRICE SAFEGUARDS INDICATE THAT THEY MAY BE WILLING TO SETTLE FOR SOME FIGLEAF LANGUAGE IMPLYING A BEST EFFORTS COMMITMENT FROM EXPORTERS TO DEFEND MARKET PRICES FROM GOING THROUGH SOME SPECIFIED HIGH PRICE EXTREME. HOWEVER, AT MARCH 3 MEETING WITH 4 EXPORTERS, EC (EATON) SAID THAT COMMUNITY REQUIRES SOME KIND OF COMMITMENT FROM EXPORTERS TO DEFEND OUTER LIMITS OF PRICE RANGE AND TO GIVE SUPPLY ASSURANCES. HE SAID EC

WOULD SUPPORT MINIMUM PRICE BY LIMITING EXPORT RESTITUTIONS. EC IDEA WOULD STILL REQUIRE FIXED RELATIONSHIP AMONG TRADING PRICES AT MAXIMUM AND MINIMUM.

7. IF US IS WILLING TO CONSIDER SOME FORM OF SAFEGUARD LANGUAGE, IT SHOULD BE CONSIDERED A SIGNIFICANT CONCESSION IN RETURN FOR COMMUNITY'S ACCEPTANCE OF STOCKS AND OTHER OBLIGATIONS WITHIN THE WHEAT CONTEXT. SINCE EC WOULD LIKE TO REDUCE RESTITUTIONS IN ANY CASE, BURDEN TO SUPPORT MINIMUM WOULD FALL MOST HEAVILY ON

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EXPORTERS.

8. ON COARSE GRAINS COMMUNITY MAY BE SEEKING A WAY TO KEEP THE DOOR OPEN FOR A POSSIBLE AGREEMENT AND MIGHT BE WILLING TO ACCEPT A CONCLUSION THAT MERELY CONTINUES THE DIALOGUE IN BILATERAL OR PLURILATERAL FORM ON COARSE GRAINS. ANY U.S. WILLINGNESS TO DO THIS SHOULD BE CONTINGENT ON THE COMMUNITY'S AGREEMENT TO CONCLUDE A WHEAT AGREEMENT THAT WOULD GO INTO EFFECT JULY 1 AND POSSIBLY SOME FORM OF COMMITMENT TO NEGOTIATE ON ACCESS.

9. AT MEETING MENTIONED ABOVE EATON ASKED EXPORTERS TO SHOW SOME WILLINGNESS TO ACCEPT PRINCIPLE OF STABILIZING COARSE GRAINS. HE SAID THAT WOULD ENABLE COMMISSION TO GET MEMBER COUNTRIES TO BEGIN TO MOVE. TOWARD WHAT HE DID NOT SAY, BUT IT SEEMS CLEAR THAT COMMUNITY PLACES IMPORTANCE ON OBTAINING DURING CONFERENCE SOME EXPORTER ACCEPTANCE IN PRINCIPLE ON COARSE GRAIN STABILIZATION. EVEN WITH THAT, HOWEVER, EC DOES NOT SEE ANY CONCLUSION ON WHEAT BY MARCH 23. THEIR IDEA IS

THAT CONFERENCE WOULD CONCLUDE WITH A GENERAL AGREEMENT
ON THE BASIC FRAMEWORK AND PHILOSOPHY, PROBABLY FOR
BOTH WHEAT AND COARSE GRAINS, AND RECONVENE LATER IN
THE YEAR TO FILL IN THE DETAILS ON STOCK SIZE AND
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SHARES AND PRICE RANGE. SORENSON

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